

themselves in business as elsewhere. The world generally has a certain amount of loanable capital available for new enterprises or the enlargement of old ones. In periods of prosperity this capital, with the instrumentalities for enlarging its potentiality by credits, is put into new enterprises which are profitable, and the increase in free capital goes on almost in arithmetical progression. After a time, however, expenses of operation and wages increase and the profit from the new enterprises grows smaller. The loanable capital gradually changes its form into investments less and less convertible. Much of that which might be capital is wasted in unwise enterprises, in extravagance in living, in wars and absolute destruction of property, until the available free capital becomes well nigh exhausted the world over and the progress of new enterprises must await the saving of more. Men continue to embark in new enterprises, however; the capital fails them and disaster comes.

NOT LIMITED TO THIS COUNTRY.

For eight or nine months last past there were many indications that the loanable capital of the world was near exhaustion. This result was brought about not only by the enormous expansion of business plants and business investment, which could not be readily converted, but also by the waste of capital in extravagance of living and by the Spanish war, the Boer war and the Russian-Japanese war, and in such catastrophes as Baltimore and San Francisco. It became impossible for the soundest railroads and other enterprises to borrow money for new construction or reconstruction. The condition was not confined to this country, but extended the world over and was made manifest in the countries of Europe, even before it was felt here.

Secondly, the conclusion cannot be avoided that the revelations of irregularity, breaches of trust, stock jobbing, over-issues of stock, violations of law, and lack of rigid State or National supervision in the management of some of our largest insurance companies, railroad companies, traction companies and financial corporations, shocked investors and made them withhold what little loanable capital remained available. Such disclosures had much more effect, probably, abroad than they had here, because here we were able to make distinctions, while there, at a remote distance, the revelations created distrust in our whole business fabric.

When, therefore, two or three institutions, banks and trust companies supposed to be solid were found to have their capital impaired by stock jobbing of their officers, the public were easily frightened and the run upon the banks began. The question then became not one of loanable capital but of actual money to be used in the transaction of the day, a very different question, though of course closely related.

ADMINISTRATION PUTS SHOULDER UNDER LOAD.

It would seem that our system of currency is not arranged so as to permit its volume to be increased temporarily to counteract the sudden drain of money by the hoarding in a panic. It is probable that the stringency which reached its height on that dark day of October 24 might in part have been alleviated had we had a currency which could automatically enlarge itself to meet the tremendous demand of a day or a week or a month while public confidence was being restored. The national administration, together with many of the large capitalists of New York and elsewhere, put their shoulders under the load and by various devices of an unusual character have brought about the present condition of gradually increasing confidence.

The injurious consequences to follow from this panic are not likely to be so long drawn out or to result in such disastrous industrial depression as the panic of 1893 or the panic of 1873, and this for the reason that the condition of the country makes it so much easier to resume business